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GENERAL

25X4

1. Italo-Yugoslav relations may improve--US Ambassador Allen in Belgrade reports that the Italian Ambassador there is now more optimistic of some improvement in Italo-Yugoslav relations than at any time during the past two years. The Italian Ambassador told Allen that the first favorable development occurred about two months ago when the Yugoslavs relaxed some of their onerous restrictions in Zone B of Trieste; more recently, they showed a readiness to resume talks regarding the evaluation of some Italian property claims as well as other outstanding economic questions.

Meanwhile, US Ambassador Dunn in Rome has learned that Tito apparently made a special trip to Zagreb to discuss with the Italian Minister of Foreign Trade Yugoslavia's economic needs and to raise the question of Italian help in meeting Yugoslavia's food and feed problems.

EUROPE

25X1

2. FRANCE: Position of Pleven Government--US Embassy Paris, in appraising the position of the Pleven Government as it faces the opening of an election-minded Parliament, estimates that although there are enough major problems to cause the fall "of two or three governments" in normal times, the Pleven Cabinet will probably be able to survive the initial parliamentary debates. As examples of the difficulties confronting Pleven, the Embassy points out that the Cabinet is not working as a team on some important issues and the government's prestige has been damaged by the "humiliating disaster" in Indochina. In these circumstances, the Embassy observes, the Cabinet must ask at once for legislative approval of an extension of military service and of a costly rearmament program. Another complex problem confronting the government is the need to define the French position in regard to German rearmament.

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T O P S E C R E T

(CIA Comment: CIA believes the position of the Pleven Government is more precarious than the Embassy estimates. If the government falls in the near future, another middle-of-the-road coalition will probably be formed which would continue along the general lines of present foreign and defense policies.)

FAR EAST

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3. **INDOCHINA: Increased US voice suggested--**US Minister Heath in Saigon, in discussing the complex situation in Indochina, expresses the view that US Legation and MAAG Saigon should have some voice in French military, political, and financial policies in Indochina and be able to exert an "advisory influence" over the same policies of the three Associated States of Vietnam, Laos, and Cambodia. Heath feels the French would object to any increase in US influence in Indochinese affairs, noting that French Commander-in-Chief Carpentier has been very sensitive to any slight hint of American intervention in his command, but he believes that the rude shock to French complacency resulting from the recent military reverses and current French requests for further aid in Indochina may provide the necessary leverage to increase US influence.

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Rumors of Hanoi evacuation--US Consulate Hanoi reports that some dependents of French military personnel have received orders to evacuate the city and that "informed" French, whose attitude is described as "cheerfully defeatist," consider that Hanoi's days are numbered. High Vietnamese officials there have discounted the possibility of an internal uprising and told the Consulate that they intend to remain in the city. Meanwhile, the Governor of North Vietnam has reiterated the need for arms for his local militia, in order to "release regular troops for the front, where they belong."

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CONFIDENTIAL

TOP SECRET

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4. KOREA: Rhee's attitude toward North Korea--US Embassy Counsellor Drumright in Seoul reports that, during a recent discussion of the use of ROK police in North Korea, President Rhee indicated an attitude of defiance of the UN and a determination to incorporate North Korea into the ROK as speedily as possible. Drumright urged Rhee to avoid affronting the UN, and at the end of the conversation, Rhee promised to avoid trouble over the status of North Korea until discussions can be arranged with Ambassador Muccio who is returning from the Pacific conference between President Truman and General MacArthur.

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